

E-Filed 5/8/2013

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

SK HYNIX INC., SK HYNIX AMERICA
INC., SK HYNIX U.K. LTD., and SK HYNIX
DEUTSCHLAND GmbH,

Plaintiffs,

v.

RAMBUS INC.,

Defendant.

Case No. C-00-20905 RMW

ORDER (1) DENYING SK HYNIX'S
MOTIONS FOR SUMMARY JUDGMENT,
FOR A NEW TRIAL OR A STAY, AND FOR
LEAVE TO FILE A SUPPLEMENTAL
REPLY TO RAMBUS'S AMENDED
COUNTERCLAIM; (2) GRANTING IN PART
RAMBUS'S MOTION TO AMEND THE
COURT'S FFCL; AND (3) IMPOSING
SANCTION AGAINST RAMBUS FOR
SPOILIATION OF EVIDENCE [REDACTED]

On September 21, 2012, following remand from the Federal Circuit, this court issued Findings of Fact and Conclusions of Law ("FFCL") addressing the spoliation of documents by Rambus Inc. ("Rambus") and related issues. *Hynix Semiconductor Inc. v. Rambus Inc.*, 897 F. Supp. 2d 939 (N.D. Cal. 2012) ("*Hynix III*"). This court found that Rambus had spoliated documents in bad faith to the prejudice of SK hynix Inc., SK hynix America Inc., SK hynix U.K. Ltd., and SK hynix Deutschland GmbH (collectively, "SK hynix").¹ *Id.* at 984. The court concluded that the most appropriate sanction for Rambus's spoliation was to strike all record evidence that would support a

¹ At the time the court issued its FFCL, the Hynix entities were known as Hynix Semiconductor Inc., Hynix Semiconductor America Inc., Hynix Semiconductor U.K. Ltd, and Hynix Semiconductor Deutschland GmbH. On December 5, 2012, the court granted the Hynix entities' motion to modify the case caption to reflect corporate name changes. This order refers to the Hynix entities by their current names.

1 royalty on the patents-in-suit² in excess of a "reasonable and non-discriminatory royalty." *Id.* at 987.
 2 The court made clear that any royalty must ensure that SK hynix would not be "not put at a
 3 competitive disadvantage in the marketplace." *Id.* The parties were directed to submit supplemental
 4 briefing as to what the royalty should be. *Id.*

5 While the parties were preparing those briefs, SK hynix filed three motions: a motion for
 6 summary judgment based upon the asserted collateral estoppel effect of recent reexamination
 7 decisions, an alternative motion for a new trial or a stay of litigation, and a motion for leave to file a
 8 supplemental reply to Rambus's amended counterclaim to add a defense of collateral estoppel. ECF
 9 Nos. 4164, 4165, 4166. Rambus filed a motion to amend the court's FFCL. ECF No. 4174. On
 10 December 19, 2012, the court heard argument with respect to those motions as well as the issue of
 11 the appropriate sanction for Rambus's spoliation.

12 Subsequently, SK hynix filed a motion for summary judgment based upon the asserted
 13 collateral estoppel effect of the decision of the United States District Court for the District of
 14 Delaware ("Delaware court") dated January 2, 2013. ECF No. 4238; *see Micron Tech., Inc. v.*
 15 *Rambus Inc.*, — F. Supp. 2d —, No. 00–792–SLR, 2013 WL 227630 (D. Del. Jan. 2, 2013)
 16 ("*Micron III*"). This court solicited a response from Rambus, which was filed on February 15, 2013.
 17 ECF No. 4241. The motion thereafter was submitted without oral argument. ECF No. 4243. On
 18 February 25, 2013, the Delaware court entered judgment on its January 2 decision.

19 Having considered the briefs, the admissible evidence, and the oral argument presented at the
 20 hearing on December 19, 2012, the court finds and concludes as follows.

21 I.

22 BACKGROUND

23 SK hynix (then Hyundai Electronics Industries Co., Ltd.) commenced this action by suing
 24 Rambus for a declaratory judgment of noninfringement, invalidity, and unenforceability with respect
 25 to several of Rambus's "Farmwald/Horowitz" patents, which disclose inventions in the fields of

26
 27 ² The court uses the terms "patents-in-suit" and "claims-in-suit" herein to refer to the
 28 patents and claims that actually were tried and upon which Rambus prevailed. Rambus asserted
 infringement of additional patent claims that were adjudicated against Rambus. Judgment at 7-8,
 ECF No. 3911.

1 Synchronous Dynamic Random Access Memory ("SDRAM") and Double Data Rate SDRAM
2 ("DDR SDRAM"). Compl., ECF No. 1; *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336,
3 1340 (Fed. Cir. 2011) ("*Hynix II*"); *Hynix III*, 897 F. Supp. 2d at 944-45. SK hynix also asserted
4 claims against Rambus for monopolization, fraud, and unfair competition. Second Am'd Compl.,
5 ECF No. 106. Rambus counterclaimed for patent infringement. *Hynix III*, 897 F. Supp. 2d at 944.
6 SK hynix asserted various affirmative defenses to Rambus's infringement counterclaims, including
7 an unclean hands defense based upon Rambus's spoliation of evidence. *Id.*

8 The case was tried in three phases. Judgment, ECF No. 3911. In the first phase, SK hynix's
9 unclean hands defense was tried to the court. *Id.* at 2. On January 5, 2006, the court issued FFCL
10 determining that Rambus had not spoliated documents and thus that there was no factual basis for an
11 unclean hands defense. *Id.* In the second phase, Rambus's infringement counterclaims were tried to
12 a jury. *Id.* On April 24, 2006, the jury returned a verdict for Rambus. *Id.* In the third phase, SK
13 hynix's remaining claims and defenses were tried. *Id.* On March 26, 2008, the jury returned a
14 verdict in favor of Rambus with respect to SK hynix's legal claims. *Id.* On March 3, 2009, the court
15 issued FFCL in favor of Rambus with respect to SK hynix's equitable claims and defenses. *Id.*

16 On March 10, 2009, the court entered final judgment of infringement with respect to ten
17 Rambus patent claims: claim 33 of U.S. Patent No. 6,324,120 ("120 patent"); claims 32 and 36 of
18 U.S. Patent No. 6,378,020 ("020 patent"); claims 9, 28, and 40 of U.S. Patent No. 6,426,916 ("916
19 patent"); claim 16 of U.S. Patent No. 6,452,863 ("863 patent"); claim 34 of U.S. Patent No.
20 5,915,105 ("105 patent"); and claims 24 and 33 of U.S. Patent No. 6,034,918 ("918 patent"). *Id.* at
21 2-3. The judgment awarded Rambus \$349,035,842 after a remittitur plus prejudgment interest, and
22 required SK hynix to pay specified royalties to Rambus on an ongoing basis. *Id.* at 2-6.

23 On May 13, 2011, the Court of Appeals for the Federal Circuit vacated this court's final
24 judgment with respect to the finding of no spoliation and remanded for further proceedings on the
25 spoliation issue. *Hynix II*, 645 F.3d at 1355. The judgment otherwise was affirmed. *Id.* The
26 Federal Circuit expressly affirmed this court's denial of SK hynix's motion for a new trial on the
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28

1 basis of invalidity for obviousness. *Id.* The mandate issued on August 9, 2011.³ Mandate, ECF No.
2 4045.

3 On September 21, 2012, after briefing and oral argument on remand, this court issued FFCL
4 determining that Rambus in fact had spoliated documents in bad faith. *Hynix III*, 897 F. Supp. 2d at
5 944-45. The court declined to impose terminating sanctions as requested by SK hynix but instead
6 concluded that the most appropriate sanction was to strike from the record all evidence supporting a
7 royalty in excess of a "reasonable and non-discriminatory royalty"; the court emphasized that any
8 royalty on the patents-in-suit must insure that SK hynix would not be "not put at a competitive
9 disadvantage in the marketplace." *Id.* at 986. In reaching this conclusion, the court relied in part
10 upon the fact "that Rambus's patents otherwise are valid." *Id.* SK hynix now seeks summary
11 judgment under two different collateral estoppel theories and alternatively requests a new trial or a
12 stay, while Rambus seeks modification of the FFCL. The court addresses the parties' motions before
13 turning to the question of the appropriate sanction for Rambus's spoliation of evidence.

14 II.

15 **SK HYNIX'S MOTION FOR SUMMARY JUDGMENT BASED UPON ASSERTED** 16 **COLLATERAL ESTOPPEL EFFECT OF THE DELAWARE COURT'S DECISION**

17 A motion for summary judgment should be granted if "there is no genuine dispute as to any
18 material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a); *see*
19 *also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). A summary judgment motion
20 may be brought on the basis of collateral estoppel. *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1441
21 (9th Cir. 1990).

22 "In the patent infringement context, the legal standard for determining whether a patentee is
23 collaterally estopped from asserting its alleged patent right was established by the Supreme Court in
24 *Blonder-Tongue*."⁴ *Pharmacia & Upjohn Co. v. Mylan Pharms, Inc.*, 170 F.3d 1373, 1379 (Fed. Cir.
25 1999). *Blonder-Tongue* established that a judgment of invalidity in one case may collaterally estop

27 ³ The mandate was filed in this court on August 15, 2011.

28 ⁴ *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971).

1 the patent owner from contesting invalidity in a subsequent case, as long as the patent owner had a
2 full and fair opportunity to litigate the validity of the patent in the first case. *Blonder-Tongue Labs.,*
3 *Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 333-34 (1971).

4 This court has given extensive consideration to the application of *Blonder-Tongue* and its
5 progeny to decisions issued in the parallel *Micron* action pending in the Delaware court. Following
6 this court's initial determination that Rambus had not spoliated evidence, SK hynix sought summary
7 judgment on the basis of the asserted collateral estoppel effect of the Delaware court's subsequent
8 determination that Rambus had spoliated evidence. *See Hynix Semiconductor Inc. v. Rambus Inc.*,
9 No. C-00-20905 RMW, 2009 WL 292205, at *1 (N.D. Cal. Feb. 3, 2009) ("09 Coll. Estop. Order").
10 SK hynix characterized its assertion of the collateral estoppel doctrine as "defensive," and argued
11 that application of the doctrine thus was mandatory rather than discretionary. This court concluded
12 that the terms "defensive" and "offensive" failed to capture the fluidity of the parties' identities as
13 plaintiffs or defendants given the procedural posture of the case. *Id.* at *2. Moreover, the court
14 noted that "[a]s the Supreme Court has made clear repeatedly, the application of non-mutual issue
15 preclusion requires a careful weighing of the equities." *Id.* Relying *inter alia* on *Parklane Hosiery*
16 *Co., Inc. v. Shore*, 439 U.S. 322 (1979) and 18A Charles A. Wright, Arthur R. Miller & Edward H.
17 Cooper, *Fed. Prac. & Proc.* §§ 4464-4465.2 (2d ed.2002), the court concluded that application of the
18 collateral estoppel doctrine is discretionary in the present case. *Id.* at *3-6. The court declined to
19 apply the doctrine in light of its own prior conflicting decision on the issue of spoliation, SK hynix's
20 attempt "to take advantage of its coordinated, dual-front litigation against Rambus to capitalize on
21 Rambus's loss in Delaware," and the fact that efficiency would not be served by permitting SK hynix
22 to displace the results of extensive litigation in this court simply because another district court
23 subsequently reached a contrary result. *Id.*

24 This court revisited the issue of collateral estoppel in its FFCL issued on September 21, 2012.
25 *See Hynix III*, 897 F. Supp. 2d at 972-75. The court again rejected SK hynix's contention that
26 application of the doctrine is mandatory. *Id.* However, the court observed that circumstances had
27 changed significantly since its '09 Coll. Estop. Order:

28 This court's finding that Rambus did not spoliage evidence has been vacated, while the

Delaware court's *Micron I*⁵ decision to the contrary has been affirmed. As a result, this court no longer is confronted with two inconsistent decisions. Rather, the slate has been wiped clean in the present action while the spoliation issue has been finally adjudicated in *Micron I*. This court no longer has grounds for questioning whether the *Micron I* determination of spoliation is correct. Most importantly, that spoliation finding has been expressly affirmed by the Federal Circuit. *Micron II*,⁶ 645 F.3d at 1325–26.

Id. at 974. While acknowledging that "[t]he forum selection gamesmanship engaged in by Hynix and Micron is troubling," the court concluded that "the circumstances that now exist persuade the court that preclusive effect should be given to the *Micron I* determination, as affirmed by the Federal Circuit, that Rambus spoliated evidence prior to the second shred day." *Id.*

SK hynix's current assertion of the collateral estoppel doctrine is nearly identical to its prior position rejected by this court in its '09 Coll. Estop. Order. SK hynix in essence asks this court to replace its own *Hynix III* decision as to the appropriate sanction for Rambus's spoliation with a subsequent decision of the Delaware court. The court declines to do so for all of the reasons discussed in the '09 Coll. Estop. Order. In particular, the conflict between *Hynix III* and *Micron III* suggests that "the outcomes may have been based on equally reasonable resolutions of doubt as to the probative strength of the evidence or the appropriate application of a legal rule of evidence." *Crawford v. Ranger Ins. Co.*, 653 F.2d 1248, 1252 (9th Cir. 1981) (internal quotation marks and citations omitted). Under such circumstances a district court may, in the exercise of its discretion, decline to apply an asserted collateral estoppel bar that is based upon one of two conflicting decisions. *Id.* The circumstances that led the court to apply the collateral estoppel doctrine following *Hynix II* and *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311 (2011) ("*Micron II*") – that is, the Federal Circuit's vacating of this court's determination that no spoliation had occurred and express affirmance of another court's determination that spoliation in fact had occurred – are not present here.

SK hynix argues that this court should apply the collateral estoppel bar so as to avoid inconsistent results, citing *Blonder-Tongue* for the proposition that "[p]ermitt[ing] repeated litigation of the same issue as long as the supply of unrelated defendants holds out reflects either the aura of

⁵ *Micron Tech., Inc. v. Rambus Inc.*, 255 F.R.D. 135 (D. Del. 2009).

⁶ *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311 (2011).

1 the gaming table or a lack of discipline and of disinterestedness on the part of the lower courts,
2 hardly a worthy or wise basis for fashioning rules of procedure." *Blonder-Tongue*, 402 U.S. at 329
3 (internal quotation marks and citation omitted). This argument is unpersuasive where, as here, SK
4 hynix attempts to avoid an earlier decision on the appropriate sanction issued by the forum that SK
5 hynix itself selected (this court), in favor of a later decision issued by another forum (the Delaware
6 court). If any party is attempting repeated bites of the apple in this litigation, it is SK hynix.

7 Finally, SK hynix asserts that it would be fundamentally unfair to enforce the patents-in-suit
8 against it when the patents are not enforced against the other major competitors in the marketplace.
9 The patents have expired. Hr'g Tr. of 12/19/2012 at 38, ECF No. 4227. Thus, all competitors are on
10 a level playing field with respect to use of the patented technology going forward. The only question
11 is whether SK hynix should be required to pay Rambus some amount in royalties for use of the
12 patented technology during the life of the patents. SK hynix has not demonstrated that imposing
13 such a requirement would place it at a significant competitive disadvantage. However, as discussed
14 below, the sanction for Rambus's spoliation should not permit Rambus to obtain royalty payments
15 from SK hynix that exceed a reasonable and non-discriminatory rate commensurate with those paid
16 by SK hynix's competitors. The *Micron III* court's conclusion that the patents-in-suit are
17 unenforceable against Micron does mean that Micron will be in a more favorable position than others
18 in the industry (assuming that judgment is affirmed). However, Micron is only one of several
19 competitors; others have paid royalties to Rambus for use of the subject patents. The fact that SK
20 hynix may be at a disadvantage *vis a vis* Micron does not preclude the appropriateness of the
21 sanction determined here.

22 For all of these reasons, the court in the exercise of its discretion declines to apply the
23 collateral estoppel doctrine to *Hynix III*. Even if the court were inclined to displace *Hynix III* in
24 favor of *Micron III*, it is not at all clear that the prerequisites for application of the collateral estoppel
25 doctrine are satisfied. In the Ninth Circuit, the doctrine precludes a party from relitigating an issue
26 if: "(1) there was a full and fair opportunity to litigate the issue in the previous action; (2) the issue
27 was actually litigated; (3) there was final judgment on the merits; and (4) the person against whom
28 collateral estoppel is asserted was a party to or in privity with a party in the previous action."

1 *Wolfson v. Brammer*, 616 F.3d 1045, 1064 (9th Cir. 2010).⁷ The question before this court is what
 2 sanction should be imposed against Rambus for spoliating evidence *to the prejudice of Hynix*. The
 3 *Micron* action did not afford Rambus an opportunity to litigate the prejudice to Hynix, as Hynix is
 4 not a party to that action. The issue of the appropriate sanction *vis a vis* Hynix was not actually
 5 litigated in *Micron III*, in which the Delaware court determined only that the patents-in-suit are
 6 unenforceable against *Micron*. *Micron III*, 2013 WL 227630, at *21.

7 The findings and conclusions reached by the Delaware court differ in significant respects
 8 from those reached by this court. For example, this court found that "the evidence does not show
 9 that Rambus knowingly destroyed damaging evidence," *Hynix III*, 897 F. Supp. 2d at 980, while the
 10 Delaware court found that "Rambus attempted to destroy evidence that would be unfavorable to its
 11 litigation position and to keep other, more favorable evidence," *Micron III*, 2013 WL 227630, at *12.
 12 This court found that "[t]here is a possibility that Rambus did not destroy any evidence that would
 13 have been beneficial to Hynix's litigation position," but concluded that Rambus must suffer the
 14 consequences of that uncertainty because Rambus destroyed so many documents without keeping
 15 any record of what was destroyed. *Hynix III*, 897 F. Supp. 2d at 986. In contrast, the Delaware court
 16 concluded that "[t]he wide range and sheer amount of materials destroyed, along with Rambus's bad
 17 faith, make it almost certain that the misconduct interfered with the rightful resolution of the case."
 18 *Micron III*, 2013 WL 227630, at *19. The Delaware court concluded that "Judge Whyte's decision is
 19 not binding on this court and, in any case, his findings of fact were different from those in the instant
 20 case." *Id.* at *18 n.25. The issues on which this court and the Delaware court differ – the degree of
 21 Rambus's bad faith and the extent of prejudice to the opposing party – go to the heart of the sanction
 22 determination. *See Micron II*, 645 F.3d at 1329 (degree of fault and extent of prejudice are two of
 23 the three factors that courts must consider before imposing terminating sanctions). Application of
 24 the collateral estoppel doctrine with respect to the appropriate sanction thus would appear

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 26 ⁷ Application of *Blonder-Tongue* is considered to be an issue of patent law that is
 27 within the exclusive jurisdiction of the Federal Circuit. *Pharmacia*, 170 F.3d at 1381 n.4. However,
 28 because application of general collateral estoppel principles is not a matter within the exclusive
 jurisdiction of the Federal Circuit, it is governed by the law of the regional circuit in which the
 district court is located. *TorPharm, Inc. v. Ranbaxy Pharmaceuticals, Inc.*, 336 F.3d 1322, 1327
 (Fed. Cir. 2003).

1 particularly inappropriate here.

2 Accordingly, SK hynix's motion for summary judgment based upon the asserted collateral
3 estoppel effect of *Micron III* is denied.

4 III.

5 **SK HYNIX'S MOTION FOR SUMMARY JUDGMENT BASED UPON ASSERTED** 6 **COLLATERAL ESTOPPEL EFFECT OF REEXAMINATION DECISIONS**

7 Since January 2012, a number of reexamination decisions have issued with respect to several
8 of the Farmwald/Horowitz patents. The Patent Trials and Appeals Board⁸ ("the Board") has
9 determined that four of the ten claims-in-suit are invalid. Specifically, the Board has determined that
10 claim 33 of the '120 patent and claim 36 of the '020 patent are invalid based on obviousness, and that
11 claim 28 of the '916 patent and claim 16 of the '863 patent are invalid based upon anticipation.
12 Taylor Decl. Exs. 10, 14, ECF 4169; Supp. Brown Decl. Ex. 46, ECF 4180; Nissly Decl. Ex. A,
13 ECF 4212. SK hynix asserts that the Board's determinations entitle it to summary judgment as to
14 those four claims⁹ (referred to herein as "the Four Claims") on the basis of collateral estoppel.

15 The other six claims-in-suit were subject to ex-parte reexamination at the request of Hynix or
16 *inter partes* reexaminations at the request of third parties, and they have been found not to be invalid
17 on reexamination. Those are claims 9 and 40 of the '916 patent, claim 34 of the '105 patent, claims
18 24 and 33 of the '918 patent, and claim 32 of the '020 patent. SK hynix nonetheless contends that it
19 is entitled to summary judgment as to those six claims (referred to herein as "the Six Claims") on the
20 basis that there are no patentably significant differences between them and *other* Farmwald/Horowitz
21 claims (not tried in this case) that have been rejected on reexamination.

22 Rambus argues that the mandate rule bars reconsideration of patent validity and that, in any

23 ⁸ "Pursuant to the America Invents Act ('AIA') amendments to Title 35, (see Public
24 Law 112–29), the Board officially changed its name from the Board of Patent Appeals and
25 Interferences to the Patent Trial and Appeal Board on September 16, 2012." *Flo Healthcare*
Solutions, LLC v. Kappos, 697 F.3d 1367, 1369 n.1 (Fed. Cir. 2012).

26 ⁹ At the time that SK hynix filed its motion for summary judgment, only two of the
27 claims-in-suit had been determined to be invalid on reexamination (claim 33 of the '120 patent and
28 claim 28 of the '916 patent). SK hynix subsequently filed a supplemental memorandum informing
the court that a third claim had been rejected on reexamination (claim 16 of the '863 patent), and a
second supplemental memorandum informing the court that a fourth claim had been rejected on
reexamination (claim 36 of the '020 patent). ECF Nos. 4179, 4212.

1 event, the application of the collateral estoppel doctrine is not warranted here.

2 **A. Mandate Rule**

3 "The mandate rule requires that the district court follow an appellate decree as the law of the
4 case." *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1356 (Fed. Cir. 2009).

5 "Unless remanded by [the appellate] court, all issues within the scope of the appealed judgment are
6 deemed incorporated within the mandate and thus are precluded from further adjudication." *Engel*
7 *Indus., Inc. v. Lockformer Co.*, 166 F.3d 1379, 1383 (Fed. Cir. 1999). "[T]he mandate rule precludes
8 reconsideration of any issue within the scope of the judgment appealed from – not merely those
9 issues actually raised." *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1360 (Fed. Cir. 2008).

10 This court's judgment encompassed the jury's determination that the patent claims-in-suit are
11 not invalid. That determination has not been disturbed; in fact, the Federal Circuit expressly
12 affirmed this court's denial of SK hynix's motion for a new trial on the basis of invalidity for
13 obviousness. *Hynix II*, 645 F.3d at 1341. Nothing in *Hynix II* suggests that the Federal Circuit
14 intended this court to revisit the issue of validity on remand. Accordingly, it appears that the remand
15 is limited to issues relating to spoliation.

16 SK hynix argues that the defense of collateral estoppel arising from the Board's 2012
17 decisions was not (and could not have been) within the scope of the 2009 judgment, and thus that the
18 mandate rule does not preclude this court from considering it on remand. The Federal Circuit
19 rejected a similar argument in *Cardiac Pacemakers*, holding that the mandate rule precluded the
20 district court from considering a new anticipation defense to patent infringement, because the new
21 defense was not "directly related" to the issues that had been remanded. *Cardiac Pacemakers*, 576
22 F.3d at 1356. As relevant here, a jury found one of Cardiac's patents to be valid and enforceable, but
23 not infringed by St. Jude. *Id.* at 1352-53. The district court subsequently granted St. Jude's motion
24 for judgment as a matter of law on the ground that the patent was invalid for obviousness. *Id.* On
25 appeal, the Federal Circuit reinstated the jury's verdict as to validity, concluding that it was supported
26 by substantial evidence in the record. *Id.* The Federal Circuit also modified in part the district
27 court's claim construction, vacated the jury's finding of noninfringement, and remanded for a new
28 trial on infringement and damages in light of the modified claim construction. *Id.* The court

1 characterized its remand as "for a new trial on literal infringement of one claim of one patent and for
2 any damages determination." *Id.* at 1354 (internal quotation marks and citation omitted).

3 On remand, the district court permitted St. Jude to assert a new defense of invalidity based
4 upon anticipation; St. Jude prevailed on that defense. The Federal Circuit reversed, holding that the
5 issue of invalidity based upon anticipation was outside the scope of the remand because it was not
6 "directly related" to the modified claim construction. *Id.* at 1356-57. The court noted that "the
7 purpose of the remand was for a new trial of infringement and reassessment of damages." *Id.* at
8 1356 (internal quotation marks and citation omitted).

9 In the present case, the purpose of the remand likewise was limited. The Federal Circuit
10 ordered as follows:

11 The district court's Findings of Fact and Conclusions of Law regarding spoliation are
12 vacated, as is the district court's Final Judgment, and the case *is hereby remanded for*
13 *reconsideration of the spoliation issue under the framework set forth in Micron II.*
14 The district court's decision on waiver and estoppel, its claim construction order, its
15 order denying Hynix's motion for judgment as a matter of law or for a new trial on the
16 basis of written description, and its order denying Hynix's motion for a new trial on the
17 basis of obviousness, are affirmed. This court also affirms the district court's
18 grant of Hynix's motion for summary judgment for the claims at issue in Rambus's
19 cross-appeal.

20 *Hynix II*, 645 F.3d at 1355 (emphasis added). SK hynix's new collateral estoppel defense is not
21 directly (or even tangentially) related to the spoliation issue that is the subject of the remand. As
22 noted above, the judgment encompassed the jury's express finding that the claims-in-suit are not
23 invalid, which judgment was affirmed. Applying the rationale of *Cardiac Pacemakers*, it would
24 appear that this court is precluded from considering SK hynix's new collateral estoppel defense on
25 remand.

26 SK hynix relies heavily upon *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir.
27 1994) in urging the court to consider the collateral estoppel defense on remand. In that case,
28 Mendenhall sued three different defendants – Barber-Greene, Astec, and Cedarapids – in three
different courts for patent infringement. *Id.* at 1576. The *Barber-Greene* trial resulted in a judgment
for Mendenhall, which was appealed to the Federal Circuit. *Id.* at 1577. The *Astec* trial resulted in a
judgment for Mendenhall on the issue of liability, which was affirmed by the Federal Circuit
following an interlocutory appeal. *Id.* at 1576. While the *Barber-Greene* judgment was on appeal

1 and while *Astec* remained pending in the district court on the issue of damages, a final judgment of
2 invalidity as to all patent claims-in-suit was entered in *Cedarapids*. *Id.* Barber-Greene then asserted
3 on appeal that Mendenhall was collaterally estopped from continuing to assert the patents' validity in
4 light of the *Cedarapids* judgment. *Id.* at 1577. *Astec* moved in the district court to vacate the
5 liability judgment against it on the basis of collateral estoppel, and it subsequently appealed the
6 district court's denial of that motion to the Federal Circuit. *Id.* Mendenhall appealed the judgment of
7 invalidity in *Cedarapids*. *Id.* The Federal Circuit heard the *Barber-Greene*, *Astec*, and *Cedarapids*
8 appeals on the same day but it did not consolidate the appeals. *Id.* The Federal Circuit affirmed the
9 *Cedarapids* invalidity judgment, and the Supreme Court denied review. *Id.* The Federal Circuit then
10 consolidated *Barber-Greene* and *Astec* for disposition.

11 The court noted that in the patent context, an accused infringer may avoid liability by
12 asserting collateral estoppel based on a third party's success in proving invalidity, despite the accused
13 infringer's failure to prove invalidity in its own case. *Id.* at 1580. The court held that "the defense of
14 collateral estoppel based on a final judgment of patent invalidity in another suit can 'be timely made
15 at any stage of the affected proceedings.'" *Id.* at 1579 (quoting *Dana Corp. v. NOK, Inc.*, 882 F.2d
16 505, 507 (Fed. Cir. 1989)). Because Barber-Greene and *Astec* had raised the defense as soon as
17 possible following the *Cedarapids* judgment, the court deemed the defense to be timely despite the
18 fact that it was raised for the first time on appeal in *Barber-Greene* and following an interlocutory
19 appeal on the determination of liability in *Astec*. *Id.* at 1580.

20 The Federal Circuit rejected Mendenhall's argument that *Astec's* liability had been finally
21 established as a result of its affirmance on interlocutory appeal. Pointing out that the interlocutory
22 appeal did not result in a final judgment, and that courts may reconsider liability absent a final
23 judgment ending the litigation, the Federal Circuit concluded that the judgment on interlocutory
24 appeal merely invoked "concepts of law of the case." *Id.* at 1580-82. "[T]he law of the case doctrine
25 is a policy not a command even respecting a prior appellate decision in the case." *Id.* at 1582.
26 "Federal courts of appeals have recognized a variety of 'special circumstances' under which they
27 would reconsider their previously-determined law of the case." *Id.* Examples include intervening
28 changes in applicable authority and circumstances in which failure to reconsider would result in clear

1 error or manifest injustice. *Id.* The Federal Circuit determined that the *Cedarapids* invalidity
2 judgment presented "exceptional circumstances" warranting departure from prior rulings that Barber-
3 Greene and Astec were liable to Mendenhall. *Id.* at 1583. The court characterized the *Cedarapids*
4 judgment as intervening controlling authority, and suggested that it would be manifestly unjust to
5 uphold the liability determinations against Barber-Greene and Astec "when the rest of the industry is
6 not impeded by the patents." *Id.*

7 *Mendenhall* is not precisely on point, as it does not address the scope of a district court's
8 authority following remand. The issue before this court is not the timeliness of SK hynix's assertion
9 of a collateral estoppel defense, but rather the scope of issues that properly may be considered by this
10 court on remand. *Mendenhall* does address the law of the case doctrine, and some courts have
11 characterized the mandate rule as a "specific application of the general doctrine of law of the case."
12 *United States v. Matthews*, 312 F.3d 652, 657 (5th Cir. 2002); *see also Cardiac Pacemakers*, 576
13 F.3d at 1356 ("The mandate rule requires that the district court follow an appellate decree as the law
14 of the case."). Cases apply the same exceptions to both the law of the case doctrine and the mandate
15 rule. *See, e.g., Matthews*, 312 F.3d at 657 ("The mandate rule, however, has the same exceptions as
16 does the general doctrine of law of the case; these exceptions, if present, would permit a district court
17 to exceed our mandate on remand."); *Amado*, 517 F.3d at 1359-60 (considering whether an
18 intervening decision foreclosed application of the mandate rule).

19 Even if it were to conclude that *Mendenhall* is applicable here, the court would not be
20 convinced that revisiting the issue of validity is warranted. SK hynix correctly points out that
21 *Mendenhall* illustrates the Federal Circuit's recognition of a strong policy against enforcing patents
22 that have been determined to be invalid, even when the issue of invalidity is raised late in the
23 litigation proceedings. However, the court also emphasized the finality of the *Cedarapids* judgment,
24 observing that the patents "were determined to be invalid after full and fair litigation," *Mendenhall*,
25 26 F.3d at 1578, and that "we no longer have the situation of applying collateral estoppel based on a
26 judgment that might be reversed," *id.* at 1578 n.5. In the present case, the asserted intervening
27 decisions are not final judgments but rather reexamination rulings that remain subject to review by
28 the Federal Circuit. Moreover, not all of the asserted intervening decisions address the claims-in-suit

1 – some of them address *other* claims that were not tried in this action. On the particular facts of this
 2 case, this court concludes that *Mendenhall* does not authorize departure from the mandate rule and
 3 that SK hynix's motion for summary judgment is subject to denial as barred by that rule.

4 **B. Collateral Estoppel Doctrine**

5 Even if it were to consider SK hynix's motion on the merits, the court would conclude that
 6 the collateral estoppel doctrine does not entitle SK hynix to summary judgment.

7 **1. Four Claims-In-Suit Found To Be Invalid On Reexamination**

8 As is noted above, the Board has determined that the Four Claims are invalid. The parties
 9 dispute whether a Board decision on reexamination gives rise to a collateral estoppel defense in civil
 10 litigation. In general, preclusion does not lie when the case asserted as the basis for the estoppel
 11 applied a less strict legal standard than the case in which the estoppel is invoked. *See, e.g., Clark v.*
 12 *Bear Stearns & Co.*, 966 F.2d 1318 (9th Cir. 1992) ("collateral estoppel does not preclude claims
 13 that have a different burden of proof than previously decided claims"). "[A] challenger that attacks
 14 the validity of patent claims in civil litigation has a statutory burden to prove invalidity by clear and
 15 convincing evidence." *In re Baxter Intern., Inc.*, 678 F.3d 1357, 1364 (Fed. Cir. 2012). "In contrast,
 16 in PTO reexaminations the standard of proof – a preponderance of the evidence – is substantially
 17 lower than in a civil case and there is no presumption of validity in reexamination proceedings." *Id.*
 18 (internal quotation marks and citation omitted). Nonetheless, at least one district court has held that
 19 the Board's rejection of a patent claim on reexamination may preclude relitigation of the claim's
 20 validity in the district court. *See Tan v. Integrated Silicon Solutions, Inc.*, No. C 07-06166 WHA,
 21 2008 WL 2340217, at *3-4 (N.D. Cal. June 5, 2008). *Tan* does not acknowledge or discuss the
 22 difference in the legal standards governing reexamination and civil actions.

23 The parties also dispute whether the Board decisions rejecting the Four Claims are
 24 sufficiently final to invoke the doctrine of collateral estoppel. Those decisions clearly are not final
 25 with respect to Micron and Samsung Electronics Co. ("Samsung"), which initiated the *inter partes*
 26 reexaminations that led to the subject decisions. "An *inter partes* reexamination is a PTO
 27 proceeding permitted under Title 35 prior to the [America Invents Act] amendments . . . by which a
 28 third party could challenge the validity of an issued patent." *Flo Healthcare Solutions, LLC v.*

1 *Kappos*, 697 F.3d 1367, 1370 n.4 (Fed. Cir. 2012).¹⁰ "Unlike an *ex parte* reexamination proceeding,
 2 an *inter partes* reexamination proceeding allows the third-party requester to participate in the
 3 reexamination by submitting written comments addressing issues raised in the patent owner's
 4 response to an office action, appealing a decision in favor of patentability, and participating as a
 5 party to an appeal taken by the patent owner." *Id.* (quoting *Cooper Techs. Co. v. Dudas*, 536 F.3d
 6 1330, 1332 (Fed. Cir. 2008)). Once the *inter partes* proceeding is final, the third-party requester is
 7 precluded from challenging in a later civil action "the invalidity of any claim finally determined to be
 8 valid and patentable on any ground which the third-party requester raised or could have raised during
 9 the *inter partes* reexamination proceedings." 35 U.S.C. § 315(c) (2011). However, an *inter partes*
 10 reexamination is deemed final for § 315(c) purposes only after exhaustion of all appeals, including
 11 appeals to the Federal Circuit. *Bettcher Indus., Inc. v. Bunzl USA, Inc.*, 661 F.3d 629, 644 (Fed. Cir.
 12 2011). Micron's and Samsung's appeals have not been exhausted as to the Board's rejections of
 13 claim 33 of the '120 patent, claim 36 of the '020 patent, claim 28 of the '916 patent, and claim 16 of
 14 the '863 patent.

15 SK hynix points out that it is not a requester in the *inter partes* reexaminations at issue here,
 16 and thus asserts that it is not subject to the finality requirement applicable to statutory preclusion
 17 under § 315(c). SK hynix argues that the Board decisions are sufficiently final for SK hynix to assert
 18 them as the basis of a *collateral estoppel* challenge in this case, even though they are not sufficiently
 19 final for Micron and Samsung to assert them as the basis of a *statutory* preclusion challenge.
 20 Rambus contends that it would be absurd if the same Board decisions were considered not final as to
 21 Micron and Samsung, who actually participated in the reexamination proceedings, but final as to SK
 22 hynix, a stranger to the reexamination proceedings. The parties have not cited, and the court has not
 23 located, any controlling authority on this point.

24 The court would not be particularly concerned with these issues if the Four Claims were the
 25 only claims supporting the damages award in this case. In those circumstances, the court likely
 26 would at least stay the instant proceedings pending finality of the Board determinations. If and when

27 ¹⁰ "Effective September 16, 2012, the AIA amendments replaced *inter partes*
 28 reexaminations with a new *inter partes* review process." *Flo Healthcare*, 697 F.3d at 1370 n.4. The
 pre-AIA version of 35 U.S.C. §§ 311-318 governs the *inter partes* reexaminations relevant here.
 ORDER (1) DENYING SK HYNIX'S MOTIONS FOR SUMMARY JUDGMENT ETC.
 C-00-20905 RMW

1 the Four Claims were cancelled, they would be rendered void *ab initio*. *See Flexiteek Americas, Inc.*
 2 *v. PlasTEAK, Inc.*, No. 08-60996-CIV, 2012 WL 5364263, at *9 (S.D. Fla. Sept. 10, 2012). At that
 3 point, absent any valid patent claims to support the infringement award, the court likely would grant
 4 relief to SK hynix. *See id.* at *11 ("[T]o allow the judgment . . . and the related orders to stand when
 5 they are predicated on a nullity would undercut the legislative intent of the reexamination process,
 6 that is, remedying erroneously issued patents.").

7 However, the Four Claims are *not* the only claims supporting the damages award. The award
 8 also was based on the remaining Six Claims, which have been found not invalid on reexamination.
 9 At trial, the jury was asked to award damages with respect to two classes of *product* – SDRAM and
 10 DDR SDRAM. *See* Special Verdict, ECF 2053. This approach was agreed to by the parties and was
 11 consistent with Rambus's licenses entered into in 2000, which licensed Rambus's entire patent
 12 portfolio. *See* Wu Decl. Ex. A (trial transcript) at 1054:15-1055:21, ECF 4194. SK hynix has not
 13 pointed to any record evidence suggesting that its trial presentation included a breakdown of
 14 damages relating to each individual claim-in-suit. Thus, so long as the Six Claims stand, the
 15 damages award is fully supported. *See TiVo, Inc. v. EchoStar Commc'ns Corp.*, 516 F.3d 1290, 1312
 16 (Fed. Cir. 2008) ("Because the damages calculation at trial was not predicated on the infringement of
 17 particular claims, and because we have upheld the jury's verdict that all of the accused devices
 18 infringe the software claims, we affirm the damages award entered by the district court.").
 19 Accordingly, SK hynix cannot prevail on its motion for summary judgment unless it demonstrates
 20 not only that the Four Claims are barred, but that the Six Claims are barred as well.

21 **2. Six Claims-In-Suit Found To Be Not Invalid On Reexamination**

22 SK hynix concedes that the Six Claims have been found to be not invalid on reexamination
 23 and that those determinations are now final, because they were either *ex parte* reexaminations
 24 brought by SK hynix as to which there is no right of appeal, or they were *inter partes* reexaminations
 25 requested by third parties who have elected not to pursue their rights of appeal. *See* Mot. for Summ.
 26 J. at 4-5, ECF 4164. SK hynix contends that the Six Claims nonetheless are barred by the doctrine of
 27 collateral estoppel because the Board has determined that *other* claims of *related* patents are invalid.

28 SK hynix relies heavily upon a decision of the District Court for the Southern District of

1 Ohio, *Ohio Willow Wood Co. v. ALPS South, LLP*, No. 2:04-cv-1223, 2012 WL 2196083 (S.D.
2 Ohio June 15, 2012). In that patent infringement case, the defendant raised a collateral estoppel
3 defense after claim construction but before disposition of motions and before trial. *Id.* at *7. The
4 defense was based upon a decision of the District Court for the Eastern District of Texas (as affirmed
5 by the Federal Circuit) that invalidated claims of a related patent for obviousness. *Id.* The Ohio
6 court concluded that "[c]ollateral estoppel may also operate to bar relitigation of common issues in
7 actions involving different but related patents." *Id.* at *8. Citing to a case issued by the Federal
8 Circuit's predecessor court, the Ohio court explained that "the key inquiry in determining the
9 collateral estoppel effect of a previous adjudication is whether specific issues related to a patent's
10 validity have been determined in a prior proceeding." *Id.* (citing *Westwood Chem., Inc. v. United*
11 *States*, 525 F.2d 1367, 1372 (Ct. Cl. 1975)). After conducting a side-by-side comparison of the
12 claims at issue before it and the claims adjudicated in the Texas action, the Ohio court concluded that
13 some but not all of the claims-in-suit before it were subject to a collateral estoppel bar arising from
14 the Texas court's ruling. *Id.* at *16.

15 SK hynix urges this court to conduct a similar side-by-side comparison of the Six Claims
16 with other Farmwald/Horowitz patent claims that have been found to be invalid on reexamination.
17 David Taylor, SK hynix's expert, provides extensive analysis of the Board's decisions with respect to
18 such other patent claims, explaining in detail why he believes that those decisions establish that the
19 Six Claims are invalid over prior art. Taylor Decl. Exh. 16 at 26-31, ECF No. 4169. He focuses
20 primarily on the five industry-standard DRAM features that were addressed extensively at trial –
21 programmable CAS latency, programmable burst length, autoprecharge, dual-edge clocking, and on-
22 chip DLL – and discusses them in conjunction with several prior art references, including the Intel
23 iAPX432 Interconnect Architecture Reference Manual published in 1982 ("iAPX"), Japanese patent
24 publication JP 57-210495 published December 24, 1982 ("Inagaki"), and Great Britain patent
25 publication GB 2 197 553 A published May 18, 1988 ("Lofgren"). *Id.*

26 Were this court in the position of the Ohio district court – that is, addressing the validity of
27 claims-in-suit for the first time in a pre-trial context – it might well conduct the side-by-side
28 comparison urged by SK hynix. However, the procedural posture of this case is markedly different

1 from the posture of *Ohio Willow Wood*. Here, the doctrine is being raised after a jury trial has
2 determined that an invalidity defense has not been established as to any of the Six Claims; after that
3 jury determination has been affirmed by the Federal Circuit; after reexamination proceedings have
4 resulted in a determination that the Six Claims are not invalid; and after those reexamination
5 proceedings have become final. SK hynix has not cited, and the court has not discovered, any case in
6 which a court applied an *Ohio Willow Wood* analysis under such circumstances.

7 As is discussed above, this court is not persuaded that SK hynix's collateral estoppel
8 challenge to the validity of the claims-in-suit is within the scope of the Federal Circuit's remand.
9 Under *Mendenhall*, the court arguably may consider – even at this late date – the collateral estoppel
10 effect of reexamination decisions that expressly invalidate one or more of the claims-in-suit.
11 However, it would be quite a leap to say that the court may go so far as to make *new* invalidity
12 determinations based upon reexamination decisions regarding *other* claims. The process envisioned
13 by SK hynix would require this court to engage in a detailed comparison of claim terms, consider of
14 significant prior art, and evaluate expert testimony. The court concludes that the relevant case law
15 simply does not authorize it to undertake such a process given the procedural posture of this case and
16 the language of the Federal Circuit's remand.

17 Because SK hynix at most has undermined the validity of four of the ten claims-in-suit
18 supporting the jury's damages award, its motion for summary judgment based upon the asserted
19 collateral estoppel effect of reexamination decisions would be denied even if the court were to reach
20 the merits of SK hynix's collateral estoppel argument.

21 IV.

22 SK HYNIX'S MOTION FOR A NEW TRIAL OR A STAY

23 In the event that the Court declines to grant summary judgment on collateral estoppel
24 grounds, SK hynix alternatively moves for a new trial on validity, damages, and infringement, or for
25 a stay of litigation.

26 A. Validity

27 SK hynix asserts that even if the recent reexamination rulings do not entitle it to summary
28 judgment based upon collateral estoppel, they constitute "new evidence" on the question of validity.

1 SK hynix moves for a new trial pursuant to Federal Rule of Civil Procedure 59, which provides that
2 a party may move for a new trial "no later than 28 days after the entry of judgment." Fed. R. Civ. P.
3 59(b).

4 As an initial matter, Rambus asserts that SK hynix has selected the wrong procedural vehicle
5 for its motion for new trial. According to Rambus, the Rule 59 motion is untimely because judgment
6 was entered more than three years ago. Rambus asserts that SK hynix instead must seek relief under
7 Federal Rule of Civil Procedure 60(b). Rambus's argument is unpersuasive given that the Federal
8 Circuit's *Hynix II* decision vacated this court's judgment. Because there is no judgment in the case,
9 SK hynix's motion is properly considered under Rule 59(a). See *Contempo Metal Furniture Co. v. E.*
10 *Tex. Motor Freight Lines, Inc.*, 661 F.2d 761, 764 n.1 (9th Cir. 1981) (a motion for new trial filed
11 before entry of judgment is timely under Rule 59).

12 Rule 59(a) does not specify the grounds on which a new jury trial may be granted; it provides
13 that a new trial may be granted "for any reason for which a new trial has heretofore been granted in
14 an action at law in federal court." Fed. R. Civ. P. 59(a)(1)(a). A new trial may be ordered on the
15 ground of newly discovered evidence. *Brown v. Wright*, 588 F.2d 708, 709-10 (9th Cir. 1978). A
16 party seeking a new trial on this basis must show that: (1) the evidence was discovered after trial, (2)
17 the exercise of due diligence would not have resulted in the evidence being discovered at an earlier
18 stage and (3) the newly discovered evidence is of such magnitude that production of it earlier would
19 likely have changed the outcome of the case. *Defenders of Wildlife v. Bernal*, 204 F.3d 920, 929 (9th
20 Cir. 2000); *Jones v. Aero/Chem Corp.*, 921 F.2d 875, 878 (9th Cir. 1990).

21 The parties dispute whether reexamination decisions that were issued after trial may be
22 considered new evidence for purposes of seeking a new trial under Rule 59(a). The Ninth Circuit
23 has held that the evidence must have "existed at the time of the trial." *Jones*, 921 F.2d at 878.
24 Clearly, the subject reexamination decisions did not exist at the time of trial. However, the Federal
25 Circuit has suggested that the Patent and Trademark Office's decisions to withdraw approval of a
26 certificate of correction and order reexamination might warrant a new trial. See *Standard Havens*
27 *Products, Inc. v. Gencor Industries, Inc.*, 897 F.2d 511, 515 (Fed. Cir. 1990).

28 Even assuming that the reexamination decisions constitute "new evidence" discovered after

trial for purpose of satisfying the first factor, it is unclear whether SK hynix acted with sufficient diligence to satisfy the second factor. All of the patents-in-suit issued between June 1999 and September 2002. As Rambus points out, SK hynix could have filed requests for *ex parte* reexamination of any of the patents-in-suit (or any of the related patents) at any time after they issued. See 35 U.S.C. § 302 (2001) ("*Any* person at *any* time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301 of this title.") (emphasis added). Moreover, SK hynix could have filed requests for *inter partes* reexamination with respect to any of the patents-in-suit (or any of the related patents) that issued from applications filed after November 29, 1999. See 35 U.S.C. § 311 (2001) (effective Nov. 29, 1999) ("*Any* person at *any* time may file a request for *inter partes* reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301.") (emphasis added). Four of the six patents-in-suit issued from applications filed after November 29, 1999.¹¹ However, SK hynix did not file *ex parte* requests with respect to any of the patents-in-suit until 2009. SK hynix never filed *inter partes* requests with respect to any of the patents-in-suit. Given these facts, it seems apparent that had SK hynix been more diligent in pursuing reexamination, this court would not be confronting the impact of adverse reexamination decisions post-trial, post-appeal, and post-remand. Cf. *Amado*, 517 F.3d at 1363 (affirming the district court's denial of relief under Fed. R. Civ. P. 60(b) on the ground that the newly discovered evidence arose from a patent reexamination that could have been commenced by the moving party at a much earlier date).

In response, SK hynix asserts that "the Federal Circuit has held that there is no requirement for an accused infringer to" seek reexamination, and that it is entitled to rely upon reexamination decisions arising from requests filed by Micron and Samsung. Br. at 2, ECF No. 4236. This argument is beside the point. While SK hynix is correct in its statements of the law, see *In re Continental Gen. Tire, Inc.*, 81 F.3d 1089, 1093 (Fed. Cir. 1996) (holding that there is no requirement that an accused infringer seek reexamination); *Mendenhall*, 26 F.3d at 1580-81 (a party is entitled to the benefit of an invalidity determination rendered in another proceeding), the cited

¹¹ While the '105 and '918 patents issued from applications filed prior to the statute's effective date of November 29, 1999, the '120, '020, '916, and '863 patents issued after the effective date.

1 legal principles do not speak to the relevant question: whether SK hynix's exercise of due diligence
2 would have resulted in the subject reexamination decisions being issued at an earlier stage in the
3 proceedings.

4 SK hynix gives a number of explanations for its delay in seeking reexamination of the
5 patents-in-suit, including its view that *ex parte* reexamination is undesirable because the requestor
6 has no right to participate or to appeal; that the initial *inter partes* reexamination procedures did not
7 involve review by a specialized panel; and that reexamination requests filed after Samsung and
8 Micron initiated reexaminations in 2006 and 2008, respectively, would have been futile because
9 Samsung and Micron raised all the relevant prior art and SK hynix would not have been able to
10 present a substantial new question of patentability. Br. at 4-5, ECF No. 4236. SK hynix also points
11 out that Rambus initially asserted fifteen patents containing more than 500 claims, and that Rambus
12 did not narrow its claims until January 2005. *Id.* While these explanations illuminate SK hynix's
13 strategies in choosing not to seek reexamination until 2009, it is not clear that they demonstrate SK
14 hynix's diligence in pursuing the "new evidence" upon which the motion for new trial is based.

15 Finally, the court is not persuaded that the reexamination decisions would have changed the
16 outcome of this case. The reexamination decisions finding the Four Claims to be invalid may have
17 been admissible and may have affected the jury's finding of validity with respect to those claims. *See*
18 *Oracle Am., Inc. v. Google, Inc.*, No. C 10-03561 WHA, 2012 WL 1189898, at *3 (N.D. Cal. Jan. 4,
19 2012) (reexamination determinations are admissible evidence that may be presented to a jury that is
20 considering the validity of a patent). However, the damages award is fully supported by the other
21 Six Claims, which have been determined to be not invalid on reexamination. Obviously the
22 reexamination decisions actually addressing the Six Claims would not have changed the outcome of
23 the case. The question, then, is whether reexamination decisions regarding *different* patent claims
24 would have affected the validity determinations regarding the Six Claims. The court concludes that
25 this latter category of reexamination decisions likely would have been excluded under Federal Rule
26 of Evidence 403 on the ground that such decisions would be more confusing than helpful. *See Fed.*

1 R. Evid. 403¹²; *Belden Tech. Inc. v. Superior Essex Commc'ns LP*, 802 F. Supp. 2d 555, 569 (D. Del.
 2 2011) ("Admitting evidence about the '503 patent's reexamination, the outcome of which is not
 3 binding on the court, would have only served to confuse the jury and was ultimately far more
 4 prejudicial than probative.").

5 Accordingly, SK hynix's motion for a new trial on the issue of validity is denied.

6 **B. Damages**

7 In the event that it is entitled to judgment as to some but not all of the claims-in-suit, SK
 8 hynix requests that the court grant a new trial on the issue of damages, asserting that "[b]ecause of
 9 the way Rambus tried the patent trial, there is no way to determine which portion of the damages
 10 awarded by the jury was attributable to which claim." Mot. for New Trial at 12, ECF No. 4166. SK
 11 hynix relies upon *Verizon Servs. Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295 (Fed. Cir. 2007), in
 12 which the Federal Circuit affirmed the jury's liability finding as to two of three patents-in-suit, and
 13 remanded for a new trial on liability with respect to the third patent in light of the district court's
 14 erroneous claim construction. The court noted that the jury verdict of \$58,000,000 gave no
 15 indication as to which damages were attributable to which patents, and stated that "where the jury
 16 rendered a single verdict on damages, without breaking down the damages attributable to each
 17 patent, the normal rule would require a new trial as to damages." *Id.* at 1309-10. Because "[t]he
 18 parties ha[d] not briefed whether there is any reason to depart from this general rule," the court
 19 remanded the damages issue to the district court as well. *Id.* at 1310.

20 The present case is distinguishable from *Verizon*, because Rambus has articulated good
 21 reasons for departing from the general rule. As is discussed above, damages were awarded based
 22 upon infringement by particular products, not upon infringement of particular patent claims. SK
 23 hynix did not request an instruction giving the jury a method for calculating damages on a claim-by-
 24 basis nor did SK hynix argue to the jury that a claim-by-claim method of calculating damages was
 25 appropriate or could even be done. Because each class of products infringes one of the Six Claims
 26

27 ¹² Rule 403 provides that "[t]he court may exclude relevant evidence if its probative
 28 value is substantially outweighed by a danger of one or more of the following: unfair prejudice,
 confusing the issues, misleading the jury, undue delay, wasting time, or needlessly presenting
 cumulative evidence." Fed. R. Evid. 403.

1 that have not been found invalid on reexamination, the damages award is fully supported. *See TiVo*,
 2 516 F.3d at 1312.¹³

3 **C. Infringement**

4 SK hynix asserts that it is entitled to a new trial on infringement in light of the Federal
 5 Circuit's construction of the term "memory device" in *In re Rambus, Inc.*, 694 F.3d 42 (Fed. Cir.
 6 2012). That decision adjudicated Rambus's appeal of a final Board decision regarding SK hynix's
 7 request for *ex parte* reexamination of claims of the '918 patent. The examiner construed the term
 8 "memory device" broadly as a "device that allows for the electronic storage and retrieval of
 9 information." *Id.* at 44. Under this construction, the examiner found the '918 patent's "memory
 10 device" analogous to the memory module disclosed in the iAPX Manual. *Id.* at 44-45. The
 11 examiner confirmed claims 24 and 33 (both claims-in-suit in the present case) but rejected claim 18
 12 (not a claim-in-suit in the present case) as anticipated by the iAPX Manual. *Id.* at 45. The Board
 13 affirmed the examiner's rejection of claim 18. *Id.* at 45-46. On appeal to the Federal Circuit,
 14 Rambus argued that the term "memory device" must be construed more narrowly than construed by
 15 the Board, in that it must be a single chip device. *Id.* at 46. The Federal Circuit rejected this
 16 construction, holding that "we construe a 'memory device' as a component of a memory subsystem,
 17 not limited to a single chip, where the device may have a controller that, at least, provides the logic
 18 necessary to receive and output specific data, but does not perform the control function of a CPU or
 19 bus controller." *Id.* at 50. The court emphasized that, "[i]n sum, 'memory device' is a broad term
 20 which has been used consistently in the '918 patent and in the family of patents related to it to
 21 encompass a device having one or more chips." *Id.* at 48.

22 In the present case, the parties stipulated to a definition of "memory device" as "an integrated
 23 circuit device in which information can be stored and retrieved electronically." "Integrated circuit
 24

25 ¹³ Rambus argues that in any event, SK hynix has waived a challenge to the damages
 26 award, citing SK hynix's failure to request a reduction in damages when it moved for a new trial and
 27 judgment as a matter of law on invalidity. *See Energy Transp. Grp., Inc. v. William Demand*
 28 *Holdings A/S*, 697 F.3d 1342, 1357 (Fed. Cir. 2012) (holding that the defendants waived any
 argument for reduction in damages when they failed to request such a reduction in the event that the
 district court granted their motion for judgment as a matter of law that one of the patents-in-suit was
 not infringed). The court need not reach the issue of waiver given its disposition of the motion for
 new trial on other grounds.

1 device," in turn, was construed by this court as "a circuit constructed on a single monolithic
 2 substrate, commonly called a 'chip.'" SK hynix contends that because the jury was instructed with
 3 these constructions, which have now been rejected by the Federal Circuit, SK hynix is entitled to a
 4 new trial in which the jury is given the correct construction for "memory device."

5 The Federal Circuit expressly affirmed this court's claim construction. *Hynix II*, 645 F.3d at
 6 1355. Thus, further litigation of claim construction issues would appear to be barred by the mandate
 7 rule. However, even if *In re Rambus* is considered to be an intervening decision warranting
 8 departure from the mandate rule, SK hynix has not demonstrated that the alleged error in the jury
 9 instructions prejudiced it at trial. *See Bettcher*, 661 F.3d at 638 ("[A] jury verdict generally will not
 10 be set aside, on motion for judgment as a matter of law or new trial, based on erroneous instructions
 11 unless the movant can establish that the instructions were legally erroneous and that the errors had a
 12 prejudicial effect."). In the same reexamination that gave rise to *In re Rambus*, the examiner
 13 confirmed both of the '918 claims that were tried in the present case, claims 24 and 33, each of which
 14 contains the "memory device" limitation. SK hynix has not articulated how the Federal Circuit's
 15 post-trial construction of "memory device" would have changed the outcome of the trial in the
 16 present case. SK hynix argues generally that "[t]he Court's erroneous jury instruction prejudiced
 17 Hynix because it affected the jury's consideration of a key piece of prior art – the iAPX Manual –
 18 'which contains several chips.'" Reply at 32, ECF No. 4200 (quoting *In re Rambus*, 694 at 50). The
 19 court concludes that this speculation is insufficient to meet SK hynix's burden on a motion for new
 20 trial.¹⁴

21 **D. Stay**

22 In the alternative to its motion for new trial, SK hynix requests that this court stay the
 23 litigation pending final disposition of the relevant reexamination proceedings. A district court has
 24 discretion to grant or request a stay pending the outcome of reexamination proceedings. *See Viskase*

26 ¹⁴ SK hynix cites *Medtronic, Inc. v. White*, 526 F.3d 487 (9th Cir. 2008) for the
 27 proposition that prejudice is presumed where an erroneous jury instruction is used. The cited Ninth
 28 Circuit case is not controlling here, as the Federal Circuit has held that: "The legal sufficiency of
 jury instructions on an issue of patent law is a question of Federal Circuit law which this court
 reviews *de novo*, ordering a new trial on that basis only when errors in the instructions as a whole
 clearly misled the jury." *Bettcher*, 661 F.3d at 638.

1 *Corp. v. Am. Nat'l Can Co.*, 261 F.3d 1316, 1327-28 (Fed. Cir. 2001). Because reexamination
 2 proceedings of the Six Claims are final, and because the Six Claims standing alone are sufficient to
 3 support the damages award for infringement, the motion for stay is denied.

4 **V.**

5 **SK HYNIX'S MOTION TO FILE SUPPLEMENTAL REPLY**

6 SK hynix seeks leave to supplement its reply to Rambus's amended counterclaim in order to
 7 add a defense of collateral estoppel. Given the court's disposition of SK hynix's arguments based
 8 upon collateral estoppel, permitting the requested amendment would be futile. Accordingly, this
 9 motion is denied.

10 **VI.**

11 **RAMBUS'S MOTION TO AMEND FFCL**

12 In its FFCL issued September 21, 2012, the court concluded that SK hynix's "destruction of
 13 documents during Shred Days 1998, 1999 and 2000 constituted spoliation." *Hynix III*, 897 F. Supp.
 14 2d at 975. Rambus seeks to amend the FFCL to omit the conclusion that Shred Day 2000, which
 15 was scheduled in connection with Rambus's office move in December 2000, resulted in spoliation.
 16 Rambus asserts that this court and the *Micron* courts have found that Rambus instituted a litigation
 17 hold in December 1999, and that a determination that Rambus spoliated documents in December
 18 2000 is inconsistent with those findings. Rambus requests that the court amend its FFCL pursuant to
 19 Federal Rule of Civil Procedure 52(b) to reflect that Shred Day 2000 did not result in spoliation of
 20 evidence.

21 There is no dispute that Rambus put a litigation hold in place in connection with the *Hitachi*
 22 litigation. See *Micron II*, 645 F.3d at 1318; *Micron Tech. Inc. v. Rambus Inc.*, 255 F.R.D. 135, 146
 23 n.55 (D. Del. 2009). This court expressly found that Rambus instituted a litigation hold in December
 24 1999, prior to suing Hitachi in January 2000. *Hynix III*, 897 F. Supp. 2d at 964. The court found
 25 that in December 1999, Steinberg (Rambus's counsel) and Karp (Rambus's vice-president in charge
 26 of intellectual property) "identified Rambus personnel who were likely to have relevant documents
 27 and told them to retain all such documents." *Id.* "Lawyers from Gray Cary, after the firm was
 28 retained in connection with the *Hitachi* litigation, also instructed dozens of Rambus employees that

1 they needed to preserve all documents that could be relevant to the litigation." *Id.*

2 There is no direct evidence that the litigation hold was withdrawn. However, the court found
3 that Rambus resumed destroying documents following the settlement of the Hitachi litigation in June
4 2000. *Id.* at 964. The court noted that on the same day that the Hitachi litigation settled, Rambus's
5 outside patent prosecution counsel, Vincent, resumed purging his patent files. *Id.* Rambus also gave
6 notice to SK hynix (Hyundai) of its alleged infringement. *Id.* In July 2000, Steinberg sent an email
7 to Rambus executives reminding them to destroy drafts and materials used during contract
8 negotiations. *Id.* In December 2000, Rambus held a third company shred day during which Rambus
9 employees destroyed 410 bags (the equivalent of 300–400 boxes) of documents. *Id.* at 965.
10 Rambus's motion to amend the court's September 21, 2012 FFCL seeks "to clarify that spoliation has
11 not been shown with respect to Rambus's December 2000 office move, and to remove all references
12 in the Opinion to the office move as 'Shred Day 2000.'" Rambus's Mot. to Amend FFCL at 1, ECF
13 No. 4174.

14 Although the court made some findings of fact in its FFCL issued September 21, 2012 with
15 respect to the destruction of documents at the time of Rambus's office move in December 2000, it
16 did not focus on whether that destruction involved spoliation. The purging by Vincent and
17 instruction from Steinberg reminding Rambus executives to destroy draft materials used in contract
18 negotiations do not, under the circumstances shown, justify a conclusion that Rambus spoliated
19 documents after the *Hitachi* litigation hold went into effect. Vincent was not Rambus's counsel for
20 the litigation and apparently resumed purging his patent files on his own initiative. *See Hynix III*,
21 897 F. Supp. 2d at 964. Rambus negated any prejudice to SK hynix resulting from any alleged loss
22 of documents pertaining to contract negotiations between Rambus and SK hynix by producing or
23 logging as privileged numerous internal communications. *See Hynix I*, 591 F.Supp. 2d at 1064;
24 *Hynix III*, 897 F. Supp. 2d at 967-68 (Finding Nos. 138-42). The fact that Rambus had these
25 documents also suggests that the litigation hold remained in effect.

26 "Rule 52(b) motions are appropriately granted in order to correct manifest errors of law or
27 fact or to address newly discovered evidence or controlling case law." *Ollier v. Sweetwater Union*
28 *High School Dist.*, 858 F. Supp. 2d 1093, 1117 (S.D. Cal. 2012). Rambus has demonstrated that the

1 court erred in concluding in *Hynix III* that Rambus's December 2000 shredding of documents
 2 constituted spoliation. Thus the court amends its September 2012 FFCL under Rule 52(b) to correct
 3 a manifest error. The court reaffirms its conclusion reached in *Hynix I* on the question of whether
 4 Rambus spoliated evidence in connection with its December 2000 office move:

5 Rambus did shred additional records when it moved its offices in December 2000.
 6 Hynix initiated the instant lawsuit against Rambus on August 29, 2000. Therefore,
 7 Rambus was engaged in litigation at the time of its move and attendant disposal of
 8 documents. This raises the question of whether the third shredding event constituted
 9 spoliation. The evidence presented by Hynix did not demonstrate that any documents
 10 material to Rambus's patent claims were destroyed in conjunction with the 2000
 11 move. At best, Hynix speculated that internal documents relating to the 1998
 negotiations between Rambus and Hynix over the "Other DRAM" provision or the
 Hynix-LGS post-merger license had been destroyed to the extent those documents
 survived the shred days in 1998 and 1999. Rambus has negated that speculation by
 producing or logging as privileged numerous internal communications regarding these
 topics.

12 *Hynix I*, 591 F. Supp. 2d at 1064. The court amends the following passage in its FFCL dated
 13 September 21, 2012 as follows:

14 Application of the collateral estoppel doctrine establishes that litigation was
 15 reasonably foreseeable prior to Shred Day 1999, and thus that destruction of
 16 documents during Shred Day 1999 ~~and thereafter~~ constituted spoliation. After
 17 reconsidering the record in this case under the framework set forth in *Micron II*, this
 court concludes that in fact litigation was reasonably foreseeable prior to Shred Day
 1998, and thus that destruction of documents during Shred Days 1998; [and] 1999 ~~and~~
 2000 constituted spoliation.

18 *Hynix III*, 897 F. Supp. 2d at 975 (as amended herein).

19 VII.

20 SANCTIONS FOR RAMBUS'S SPOILIATION OF EVIDENCE

21 A. Standard for Determining an Appropriate Sanction

22 The court's ultimate task is to determine the sanction to be imposed for Rambus's spoliation.
 23 As noted in its FFCL issued on September 21, 2012, the court has wide discretion to fashion an
 24 appropriate sanction. *See Hynix III*, 897 F. Supp. 2d at 984; *see also Aptix Corp. v. Quickturn*
 25 *Design Systems, Inc.*, 269 F.3d 1369, 1378 (Fed. Cir. 2001) (discussing limits on a court's authority
 26 to declare a patent unenforceable and holding that, "[w]ithin the limits discussed above, courts are
 27 free to sanction bad faith conduct that arises during the course of litigation."); *Herson v. City of*
 28 *Richmond*, No. C 09-02516 PJH (LB), 2011 WL 3516162, at *4 (N.D.Cal. 2011) (listing possible

sanctions for spoliation of evidence, including monetary sanctions, adverse inference, exclusion of evidence, and dismissal of claim). The three main factors to be weighed in determining an appropriate sanction in this case are: (1) the degree of fault of Rambus; (2) the degree of prejudice suffered by SK hynix; and (3) whether there is a lesser sanction than dismissal that will address the prejudice to SK hynix and will deter similar conduct in the future by Rambus and others. *See Micron II*, 645 F.3d at 1329.

1. Degree of Fault of Rambus

Rambus willfully destroyed large volumes of documents when litigation was reasonably foreseeable. *Hynix III*, 897 F. Supp. 2d at 985. It kept no records of what it destroyed. *Id.* Although the evidence does not establish that it deliberately singled out particular damaging documents for destruction, Rambus's conduct makes it impossible to tell what evidence was lost, and Rambus must suffer the consequences of that uncertainty. *Id.*; *see also Anderson v. Cryovac, Inc.*, 862 F.2d 910, 925 (1st Cir. 1988) ("As between guilty and innocent parties, the difficulties created by the absence of evidence should fall squarely upon the former.").

2. Degree of Prejudice Suffered by SK hynix

The evidence does not show that SK hynix was prejudiced in its assertion of invalidity defenses. *See Hynix III*, 897 F. Supp. 2d at 982. However, as a result of Rambus's destruction of documents related to the Joint Electron Device Engineering Council ("JEDEC"), Hynix is presumed to have been prejudiced in its ability to litigate its equitable claims and defenses. *Id.* at 984. Had Rambus disclosed its intent to obtain patent coverage of the standard then being considered at JEDEC, it most likely would have been required to license its technology at a fair, reasonable and non-discriminatory ("FRAND" or "RAND") royalty rate.¹⁵

a. FRAND

Members of standard setting organizations who hold intellectual property rights in standard-essential intellectual property often are required to license that technology to "all comers on terms that are reasonable and nondiscriminatory, or RAND." *Microsoft Corp. v. Motorola, Inc.*, 696

¹⁵ The terms FRAND (fair, reasonable and non-discriminatory) and RAND (reasonable and non-discriminatory) are used interchangeably herein.

1 F.3d 872, 876 (9th Cir. 2012) (internal quotation marks and citation omitted). While standards
 2 provide many benefits to technology consumers, such as interoperability, lower product costs, and
 3 increased price competition, "[t]he catch with standards is that it may be necessary to use patented
 4 technology in order to practice them." *Id.* (internal quotation marks and citation omitted). Once
 5 compliance with a particular standard is effectively required to compete in a particular market, the
 6 patentee gains disproportionate bargaining power and may "extract unreasonably high royalties from
 7 suppliers of standard-compliant products and services." *Id.* Requiring that the patent be licensed to
 8 all on FRAND terms prevents this type of patent "hold-up." *Apple, Inc. v. Motorola, Inc.*, 869 F.
 9 Supp. 2d 901, 913 (N.D. Ill. 2012).

10 "The proper method of computing a FRAND royalty starts with what the cost to the licensee
 11 would have been of obtaining, just before the patented invention was declared essential to
 12 compliance with the industry standard, a license for the function performed by the patent." *Id.* "The
 13 purpose of the FRAND requirements . . . is to confine the patentee's royalty demand to the value
 14 conferred by the patent itself as distinct from the additional value – the hold-up value – conferred by
 15 the patent's being designated as standard-essential." *Id.* When determining a FRAND rate, "the
 16 court must employ a methodology which in some way reconstructs the negotiation that would have
 17 taken place" between the parties prior to the date on which the patented invention was adopted as
 18 part of the industry standard. *Microsoft Corp. v. Motorola, Inc.*, 2012 WL 5248439, at *11 (W.D.
 19 Wash. Oct. 22, 2012).

20 The parties have presented evidence as to what SK hynix would have had to pay for a license
 21 for Rambus's technology in the 1995-96 time frame, when JEDEC was considering adoption of a
 22 standard for DDR SDRAM. Both sides rely upon expert opinion analyzing *inter alia* licensing
 23 agreements for "Other DRAM" products and RDRAM products from the 1995-96 time frame.¹⁶

24
 25 ¹⁶ SK hynix objects to the declaration of Rambus's expert, Brian Hammer ("Hammer")
 26 on the grounds that Rambus failed to: provide SK hynix with a written report as required under
 27 Federal Rule of Civil Procedure 26(a)(2)(B); make Hammer available for deposition as required
 28 under Federal Rule of Civil Procedure 26(a)(4); qualify Hammer as an expert witness in this case as
 required under Federal Rule of Evidence 702; and provide SK hynix an opportunity to cross-examine
 Hammer. SK hynix also asserts that Rambus improperly permitted Hammer to review documents
 designated as "Special Confidential" or "Confidential – Outside Counsel Only." In response,
 Rambus points out that SK hynix did not provide a written report in connection with the October

1 That evidence would have been useful in determining an appropriate FRAND rate as of the 1995-96
 2 time frame. A true FRAND analysis would have been based on then available evidence with the
 3 goal of having a fair royalty rate that would be non-discriminatory in the marketplace. Here,
 4 however, in order to determine a fair, non-discriminatory rate, the rates negotiated with SK hynix's
 5 competitors after Rambus's misconduct was disclosed must be considered. That is why the court in
 6 its September 2012 FFCL requested information about the licenses SK hynix's competitors obtained.
 7 If a FRAND rate were determined as of the 1995-96 timeframe and that rate were applied to SK
 8 hynix's sales during the relevant period, SK hynix would suffer significant prejudice by having to pay
 9 a non-competitive rate. Therefore, to maintain the goal of a FRAND rate in this case, the rates
 10 actually paid by SK hynix's competitors must be considered.

11 **b. Royalty Rates Paid by SK hynix's Competitors**

12 When it initially concluded that "the sanction most commensurate with Rambus's conduct . . .
 13 is to strike from the record evidence supporting a royalty in excess of a reasonable,
 14 non-discriminatory royalty," *Hynix III*, 897 F. Supp. 2d at 986-87, the court believed that imposition
 15 of a FRAND rate modified to take into account what SK hynix's competitors paid during the relevant
 16 period would carry out its intention of placing SK hynix on essentially equal footing with its
 17 competitors, *see id.* ("Rambus's spoliation of evidence should preclude it from entitlement to a
 18 royalty that places Hynix at a competitive disadvantage"). However, review of the parties' briefing
 19 and the authorities discussed above has persuaded the court that trying to fashion an after-the-fact
 20 evidentiary exclusion is not the most appropriate mechanism by which to sanction Rambus. The
 21 court now concludes that a monetary sanction that takes into account the royalty rates negotiated and
 22 paid by SK hynix's primary competitors is a more appropriate and straightforward way to mitigate
 23 the prejudice to SK hynix caused by Rambus's spoliation. Those competitors are Samsung, Infineon

24

25

26 2012 declaration of its expert, Roy Weinstein ("Weinstein"), and did not provide Rambus with an
 27 opportunity to cross-examine Weinstein. Thus, Rambus asserts that if Hammer's declaration is
 28 subject to exclusion, Weinstein's declaration likewise is subject to exclusion. The court has relied
 upon only some of the figures provided by the experts and those figures do not appear to be disputed;
 as to those figures, the objections are overruled. *See Beech Aircraft Corp. v. United States*, 51 F.3d
 834, 842 (9th Cir. 1995) (district courts have broad discretion to admit or exclude expert testimony).

1 Technologies ("Infineon"),¹⁷ and Elpida Memory, Inc. ("Elpida").¹⁸

2 The royalty rates negotiated and paid by Samsung, Infineon, and Elpida have been submitted
 3 under seal and are not recited here. *See* Weinstein Decl. ¶ 11, ECF No. 4208. It appears that none of
 4 the licensees paid the negotiated royalty rates for long; instead, they paid "effective royalty rates" or
 5 "ERRs." *Id.* ERRs "are calculated by comparing payments made to the licensor with a licensee's
 6 actual revenues over a particular period of time." *Id.* at ¶ 12. The ERRs of Samsung, Elpida, and
 7 Infineon fall into a very narrow range that is quite a bit lower than the negotiated rates and the 2.5%
 8 "Other DRAM" rate urged by Rambus under a FRAND analysis. *Id.* at ¶¶ 21, 36, and 45. SK hynix
 9 requests that the court apply one of the ERRs, or an average ERR, to its total sales of SDRAM and
 10 DDR SDRAM products during the agreed-upon damages period (June 23, 2000 through the
 11 expiration of the patents-in-suit on April 18, 2010). During that time frame, SK hynix generated
 12 approximately \$11.267 billion in net sales of SDRAM and DDR SDRAM in the United States. *Id.* at
 13 Ex. 13.

14 Rambus objects to the court's consideration of the ERRs of SK hynix's competitors on the
 15 ground that those rates were reached after litigation, citing *LaserDynamics, Inc. v. Quanta*
 16 *Computer, Inc.*, 694 F.3d 51 (Fed. Cir. 2012). *LaserDynamics* addressed issues raised on appeal in a
 17 patent infringement case after the trial court had entered judgment on a jury verdict awarding the
 18 patentee \$8.5 million in damages. The court concluded that the trial court had erred in permitting
 19 evidence of a license that LaserDynamics had entered into with a third party as part of a settlement
 20 reached on the eve of trial after the third party had been repeatedly sanctioned. *Id.* at 77. The court
 21 noted "the longstanding disapproval of relying on settlement agreements to establish reasonable
 22

23 ¹⁷ Rambus's license to Infineon was assigned to Infineon's successor DRAM
 24 manufacturer, Qimonda AG, in 2006. Weinstein Decl. ¶¶ 14-15, ECF No. 4208. Qimonda declared
 25 bankruptcy in April 2009, and subsequently was liquidated. *Id.* at ¶ 17. For ease of reference,
 Infineon and Qimonda will be referred to collectively as "Infineon" herein.

26 ¹⁸ The rate paid by Micron could be considered to be 0% and used as a factor in
 27 determining an appropriate sanction. The court hesitates to consider this 0% "rate," as it resulted
 28 from the *Micron* court's declaration of unenforceability and not from any negotiation between
 Rambus and Micron. As discussed below, the court concludes that the high end of the range paid by
 SK hynix's competitors provides the most appropriate guideline for a sanction in this case.
 Accordingly, inclusion of a 0% "rate" would not affect the court's analysis.

1 royalty damages," and concluded that there was no basis for departing from the normal rule that
2 "license fees that are tainted by the coercive environment of patent litigation are unsuitable to prove a
3 reasonable royalty." *Id.* The court distinguished *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860
4 (Fed. Cir. 2010), in which a license that arose out of litigation was determined to be the most reliable
5 evidence of a reasonable royalty. *Id.* Rambus's objection to consideration of the royalties paid by
6 Samsung, Elpida and Infineon might well have merit if the court were attempting to calculate a
7 FRAND rate in connection with a *damages* award for patent infringement. However, as discussed
8 herein, the court's task is to determine an appropriate *sanction* for Rambus's misconduct that
9 mitigates the prejudice to SK hynix. The ERRs of SK hynix's competitors, which were influenced at
10 least in part by the same spoliation of evidence at issue here, would seem, in the unique
11 circumstances here, to be relevant.

12 The court acknowledges the parties' assertions that a number of other considerations should
13 play into the calculation of an appropriate royalty rate. For example, SK hynix argues that the ERRs
14 paid by its competitors included consideration for more than just licenses, and that JEDEC may have
15 selected a different standard if Rambus had disclosed its intentions. Rambus, on the other hand,
16 contends that other licensing factors should be considered, such as the benefit to SK hynix of delayed
17 payment, that it gave SK hynix volume discounts on RDRAM to incentivize SK hynix to push
18 RDRAM into the mainstream market, that it anticipated co-development agreements with its
19 RDRAM licensees, and that both Rambus and SK hynix had a preference for a world-wide license as
20 opposed to one limited to United States sales. Although these factors, among others, make it
21 difficult to estimate the prejudice to SK hynix from Rambus's spoliation with any precision, the court
22 nevertheless concludes that a royalty rate that does not place SK hynix at a competitive disadvantage
23 *vis a vis* its competitors must be the primary consideration in determining an appropriate sanction.
24 The estimate serves as a guideline only; the court is not attempting to calculate damages from SK
25 hynix's infringement of Rambus's patents, but rather to fashion an appropriate sanction for Rambus's
26 spoliation.

1 **3. Is there a Sanction Less Severe than Dismissal that Adequately Sanctions**
 2 **Rambus for its Spoliation**

3 As previously noted, dismissal as a sanction is reserved for particularly egregious situations;
 4 the presence of bad faith and prejudice, without more, do not justify the imposition of a dispositive
 5 sanction. *Micron II*, 645 F.3d at 1328-29. This court does not believe that Rambus's conduct was so
 6 egregious as to call for dismissal. *See Hynix III*, 897 F. Supp. 2d 986-87.

7 **B. Conclusion**

8 Imposition of a monetary sanction is an imprecise, imperfect process. After considering all
 9 of the evidence and argument submitted by the parties, and the relevant authorities, the court
 10 concludes that a monetary sanction of \$250,000,000 to be applied as a credit against Rambus's
 11 judgment against SK hynix recognizes that Rambus's conduct was inexcusable but not so egregious
 12 as to justify dismissal of its infringement case. This sanction applies a royalty rate of between .80%
 13 and .85% to Rambus's total United States sales. Although slightly in excess of what SK hynix's
 14 major competitors paid, this rate is not so great as to put SK hynix at a significant competitive
 15 disadvantage.¹⁹ It also takes into account that the rates actually negotiated with SK hynix's
 16 competitors were higher than the ERRs for reasons that are not clear. The amount of the sanction is
 17 severe and would be excessive if such amount were not necessary to mitigate the presumed prejudice
 18 resulting to SK hynix from Rambus's spoliation.²⁰ It also strikes the appropriate balance between
 19 acknowledging that the majority of Rambus's patents have been determined to be valid and
 20 recognizing that Rambus's spoliation of evidence must be redressed in meaningful way. The
 21 sanction will unquestionably deter Rambus and others from engaging in similar conduct in the
 22 future. Finally, from the public's standpoint, imposition of this sanction lays to rest years of
 23 complicated and expensive litigation.

24 _____
 25 ¹⁹ [REDACTED]

26 ²⁰ The Federal Trade Commission ("FTC") determined that Rambus should be
 27 precluded from recovering royalty rates in excess of 0.25% for JEDEC-compliant SDRAM and 0.5%
 28 for JEDEC-compliant DDR SDRAM. *Rambus Inc.*, No. 9302, 2007 WL 431522, at *2 (F.T.C. Feb.
 2, 2007), *vacated on other grounds*, *Rambus Inc. v. Fed. Trade Comm'n*, 522 F.3d 456 (D.C. Cir
 2008). Although it does not rely upon the now-vacated determination, this court notes that the rates
 imposed by the FTC are similar to the ERRs considered and the rate ultimately settled on herein.

VIII.

ORDER

- (1) SK hynix's motions for summary judgment, for a new trial or a stay, and for leave to file a supplemental reply are DENIED;
- (2) Rambus's motion to amend the court's FFCL is GRANTED IN PART;
- (3) As a sanction for Rambus's spoliation of evidence, the court hereby imposes a monetary sanction of \$250 million to be applied as a credit against Rambus's judgment against SK hynix; and
- (4) the parties shall submit a proposed form judgment to the court within ten (10) days; if the parties cannot agree as to the form of the judgment, each party shall submit a proposed judgment to the court within ten (10) days.

DATED: May 8, 2013


RONALD M. WHYTE
United States District Judge